

**Financial Statements**

**Why Lenders Want (Require) Them  
How They Can Be Used to Strengthen Your Farm Business**

by

Allan E. Lines  
Extension Economist  
The Ohio State University

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# FINANCIAL STATEMENTS

MY LEADERS WILL REQUIRE THEM?

HOW CAN THEY BE USED TO STRENGTHEN

YOUR FARM BUSINESS?

**UNDERSTAND WHAT  
THEY ARE NOT**



**FINANCIAL STATEMENTS ARE  
NOT AN ACCOUNTING SYSTEM**

# WHAT ARE THEY?



FINANCIAL STATEMENTS ARE  
FORMS THAT INTEGRATE AND  
SUMMARIZE INFORMATION FROM  
THE FARM ACCOUNTING SYSTEM

# BALANCE SHEET

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## BALANCE SHEET SUMMARIZES

ASSET VALUES

LIABILITIES

NET WORTH POSITION

# INCOME STATEMENT

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INC. STATEMENT SUMMARIZES

REVENUES

EXPENDITURES

INVENTORY SCHEDULES

# CASH FLOW STATEMENT

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OPERATING EXPENSES/RECEIPTS

DEBT PAYMENTS

FAMILY LIVING EXPENSES

INCOME TAXES

# FINANCIAL STATEMENTS ARE USED TO ANSWER THREE CRITICAL QUESTIONS

IS THE FIRM RISKY BUSINESS? WHY?

IS BUSINESS EARNING AN ADEQUATE PROFIT?

DOES BUSINESS HAVE ADEQUATE LIQUIDITY?



# THE ESSENTIALS OF BUSINESS ANALYSIS



## ACCOUNTING INFORMATION PERFORMANCE FACTORS AND MEASURES STANDARDS FOR COMPARISON

# PROCEDURE FOR FARM BUSINESS ANALYSIS

1. STUDY PROFITABILITY FIRST

2. DECIDE

A. LIQUIDATE - RETURN OFF FARM

B. CONTINUE FARM AS IS

C. ADJUST BUSINESS / INCREASE INCOME

## (ANALYSIS PROCEDURE CONTINUED)

### 3. NEXT RESOLVE THE SIZE ISSUE

#### A. TAKE ADVANTAGE OF MODERN TECH.

- ENOUGH WORK FOR TWO PEOPLE
- USE 1 SET OF BLDGS./EQUIP.

#### B. ENOUGH UNITS FOR DESIRED INCOME

- ENOUGH INCOME FOR TWO FAMILIES

# ANALYSIS PROCEDURE CONTINUED

## 4. EXAMINE FILES RECOVERED AND RECOVERED

4.1.1.1

4.1.1.2

4.1.1.3

# ANALYSIS PROCEDURE FOR COLLECTING

5. EXAMINE ENTERPRISE IN

6. ASSES AND

A. DESIRE

B. ABILITY

C. KNOWLEDGE

D. SKILLS

# ANALYSIS PROCEDURE CONTINUED

## 5. EFFICIENCY

### A. LABOR

### B. CAPITAL

#### - MACHINERY

#### - BUILDINGS

#### - LAND

### C. ANIMALS

## ANALYSIS PROCEDURE CONTINUED

### 6. EXAMINE ENTERPRISE MIX

### 7. ASSES MANAGEMENT

A. DESIRE

B. ABILITY

C. KNOWLEDGE

D. SKILLS